

**Urbandale Sanitary Sewer District
Urbandale, Iowa**

FINANCIAL REPORT

June 30, 2008

8

CONTENTS

	<u>Page</u>
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	4-5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-8
FINANCIAL STATEMENTS	9
Statements of net assets	10
Statements of revenues and expenses and changes in net assets	11
Statements of cash flows	12
Notes to financial statements	13-17
REQUIRED SUPPLEMENTARY INFORMATION	18
Budgetary comparison schedule of revenues and expenses and changes in net assets—budget and actual (cash basis)	19
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	20-21
SCHEDULE OF FINDINGS	22-23

**Urbandale Sanitary Sewer District
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
BOARD OF TRUSTEES (as of June 30, 2008)		
D. J. Nawrocki	President	January 2, 2013
Joe Sassatelli	Treasurer/Acting Clerk	January 2, 2009
James Goodman (Through June 2008)	Clerk	January 2, 2011
Gerald Pierce (August 28, 2008 – present)		January 2, 2011
ATTORNEY		
Paul A. Drey		

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Urbandale Sanitary Sewer District
Urbandale, Iowa

We have audited the accompanying statements of net assets of the Urbandale Sanitary Sewer District as of June 30, 2008 and 2007, and the related statements of revenues and expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urbandale Sanitary Sewer District as of June 30, 2008 and 2007, and the revenues, expenses, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6-8 and the budgetary comparison information on page 19 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 14, 2008

**URBANDALE SANITARY SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Our discussion and analysis of Urbandale Sanitary Sewer District's financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2008, 2007 and 2006. Please read it in conjunction with the District's financial statements that begin on page 10.

2008 FINANCIAL HIGHLIGHTS

Total operating revenues for the District decreased by approximately \$351,000 in 2008 due primarily to decreased sewer connection fees. This follows an increase of approximately \$42,000 in 2007. The District's net assets increased by approximately \$1,273,000 after an increase of approximately \$2,008,000 in 2007. The District's capital assets decreased by approximately \$362,000 as depreciation expense exceeded additions to capital assets. The District's capital assets increased by approximately \$3,164,000 in 2007 due to the completion of the 70th Place Relief Sewer project and the Northwest Walnut Creek project.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's accrual basis of accounting.

Report Components

Management's Discussion and Analysis: introduces the basic financial statements and provides an analytical overview of the District's financial activities.

Financial Statements: The financial statements report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about types and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for evaluating the District's liquidity, financial flexibility, and overall financial health.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues and Expenses and Changes in Net Assets. These statements measure the success of the District's operations over the past year and can be used to determine whether the organization has covered all its costs through its sewer rentals and other charges.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and related financing activities. It also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: The Management's Discussion and Analysis and the Budgetary Comparison Schedule (see page 19) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the financial statements and notes (referred to as "the basic financial statements").

FINANCIAL ANALYSIS OF THE DISTRICT

Is the District's financial position as a whole better off or worse off as a result of this year's activities? The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the net assets of the District and the changes in them. The District's net assets (the difference between assets and liabilities) are one way to measure the organization's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government regulations.

As stated earlier, net assets are an indicator of the financial health of an organization. As can be seen from table 2 below, net assets increased by approximately \$1,273,000 in 2008, approximately \$2,008,000 in 2007, and approximately \$1,890,000 in 2006. A summary of the District's Statements of Net Assets is as follows:

Table 1

	June 30		
	2008	2007	2006
Unrestricted current assets	\$ 3,909,855	\$ 3,177,795	\$ 3,041,722
Restricted assets	4,856,226	6,607,955	8,734,722
Capital assets	18,096,616	18,458,950	15,294,653
Total assets	<u>26,862,697</u>	<u>28,244,700</u>	<u>27,071,097</u>
Current liabilities	1,236,900	2,863,458	1,191,436
Long-term debt outstanding	2,196,000	3,224,000	5,730,000
Total liabilities	<u>3,432,900</u>	<u>6,087,458</u>	<u>6,921,436</u>
Net assets			
Invested in capital assets, net of related debt	14,872,616	12,728,950	8,435,653
Restricted	4,856,226	6,607,955	8,734,722
Unrestricted	<u>3,700,955</u>	<u>2,820,337</u>	<u>2,979,286</u>
Total net assets	<u>\$23,429,797</u>	<u>\$22,157,242</u>	<u>\$20,149,661</u>

Table 2
Condensed Statements of Revenues and Expenses
and Changes in Net Assets

	Year ended June 30		
	2008	2007	2006
Operating revenues	\$3,794,119	\$4,145,240	\$4,102,861
Operating expenses	<u>2,722,334</u>	<u>2,441,786</u>	<u>2,270,606</u>
Operating income	1,071,785	1,703,454	1,832,255
Nonoperating revenues, net of interest expense	<u>200,770</u>	<u>304,127</u>	<u>57,289</u>
Change in net assets	<u>\$1,272,555</u>	<u>\$2,007,581</u>	<u>\$1,889,544</u>

The major sources of revenues for 2008, 2007 and 2006, respectively, were approximately \$2,902,000, \$2,942,000 and \$2,913,000 in sewer user fees and approximately \$697,000, \$697,000 and \$650,000 in property tax revenues for 2008, 2007 and 2006, respectively. The major expense for the years consisted of approximately \$1,998,000, \$1,690,000 and \$1,573,000 for 2008, 2007 and 2006, respectively, in payments to the Wastewater Reclamation Authority (WRA) which represent the District's share of debt service and other operating expense obligations for WRA.

CAPITAL ASSETS

Table 3

	June 30		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Easements	\$ 319,365	\$ 315,721	\$ 227,757
Sewer system	<u>21,543,339</u>	<u>21,478,665</u>	<u>17,121,360</u>
	21,862,704	21,794,386	17,349,117
Less accumulated depreciation	<u>(3,766,088)</u>	<u>(3,335,436)</u>	<u>(2,949,484)</u>
	18,096,616	18,458,950	14,399,633
Construction in progress	<u>—</u>	<u>—</u>	<u>895,020</u>
Total capital assets	<u>\$18,096,616</u>	<u>\$18,458,950</u>	<u>\$15,294,653</u>

The year ended June 30, 2006 was the initial year the District used the accrual basis of accounting. Capital assets were recorded based on estimates of costs for the sewer system infrastructure and easements.

DEBT ADMINISTRATION

At June 30, 2008, the District had \$3,224,000 in bonds outstanding, compared to \$5,730,000 in 2007 and \$6,859,000 in 2006. Details are as follows:

	June 30		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Outstanding Debt at Year End			
Sewer Improvements - 1994 Issue	\$1,339,000	\$1,535,000	\$1,724,000
Sewer Improvements - 2000 Issue	—	1,575,000	1,775,000
Refinancing Bonds - 2003 Issue	<u>1,885,000</u>	<u>2,620,000</u>	<u>3,360,000</u>
Totals	<u>\$3,224,000</u>	<u>\$5,730,000</u>	<u>\$6,859,000</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide our property owners in the District, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Paul Drey or telephone (515) 274-1450.

FINANCIAL STATEMENTS

Urbandale Sanitary Sewer District
STATEMENTS OF NET ASSETS

	June 30	
ASSETS	2008	2007
CURRENT ASSETS		
Unrestricted current assets		
Cash	\$ 3,632,915	\$ 2,849,888
Sewer usage, property taxes and connection fees receivable	269,919	320,911
Prepaid Insurance	7,021	6,996
Total unrestricted current assets	<u>3,909,855</u>	<u>3,177,795</u>
RESTRICTED ASSETS		
Cash	1,849,382	2,154,374
Certificates of deposit	2,997,227	2,851,615
U.S. Treasury securities	3,017	1,584,188
Interest receivable	6,600	17,778
Total restricted assets	<u>4,856,226</u>	<u>6,607,955</u>
CAPITAL ASSETS		
Easements	319,365	315,721
Sewer system	21,543,339	21,478,665
Less accumulated depreciation	<u>(3,766,088)</u>	<u>(3,335,436)</u>
Total capital assets	<u>18,096,616</u>	<u>18,458,950</u>
Total assets	<u>\$26,862,697</u>	<u>\$28,244,700</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 1,028,000	\$ 2,506,000
Accounts payable	200,876	339,920
Accrued interest payable	8,024	17,538
Total current liabilities	<u>1,236,900</u>	<u>2,863,458</u>
LONG-TERM DEBT , net of current maturities	<u>2,196,000</u>	<u>3,224,000</u>
NET ASSETS		
Invested in capital assets, net of related debt	14,872,616	12,728,950
Restricted	4,856,226	6,607,955
Unrestricted	3,700,955	2,820,337
Total net assets	<u>23,429,797</u>	<u>22,157,242</u>
Total liabilities and net assets	<u>\$26,862,697</u>	<u>\$28,244,700</u>

See Notes to Financial Statements.

Urbandale Sanitary Sewer District
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

	Year ended June 30	
	2008	2007
OPERATING REVENUES		
Sewer user fees	\$ 2,902,051	\$ 2,942,324
Property taxes	696,790	697,199
Connection fees		
Sewer connection fees	166,392	480,843
Special assessments	17,458	17,813
Other	11,428	7,061
Total operating revenues	<u>3,794,119</u>	<u>4,145,240</u>
OPERATING EXPENSES		
WRA budget share	1,998,471	1,690,321
City of Urbandale-maintenance and administrative fees	195,728	230,390
Legal fees	68,198	102,568
Professional fees	5,200	12,794
Insurance	8,400	6,699
Engineering fees	8,320	6,000
Publishing	923	1,356
Bank charges	142	106
Trustee fees	6,300	5,600
Depreciation	430,652	385,952
Total operating expenses	<u>2,722,334</u>	<u>2,441,786</u>
Operating income	<u>1,071,785</u>	<u>1,703,454</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	403,170	547,112
Interest expense	(202,400)	(242,985)
Total nonoperating revenues	<u>200,770</u>	<u>304,127</u>
Change in net assets	1,272,555	2,007,581
NET ASSETS, beginning of year	<u>22,157,242</u>	<u>20,149,661</u>
NET ASSETS, end of year	<u>\$23,429,797</u>	<u>\$22,157,242</u>

See Notes to Financial Statements.

Urbandale Sanitary Sewer District
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from users and property taxes	\$3,845,111	\$4,148,846
Cash paid for services and supplies	(2,309,358)	(2,045,099)
Net cash provided by operating activities	<u>1,535,753</u>	<u>2,103,747</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	(2,506,000)	(1,129,000)
Interest paid on long-term debt	(211,914)	(245,822)
Payments for capital assets	(189,711)	(3,264,822)
Net cash (used in) capital and related financing activities	<u>(2,907,625)</u>	<u>(4,639,644)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	422,519	551,009
Purchases of certificates of deposit	(145,612)	(1,645,610)
Proceeds from redemption of certificates of deposit	—	517,216
Proceeds from redemption of government securities	<u>1,573,000</u>	<u>200,000</u>
Net cash provided by (used in) investing activities	<u>1,849,907</u>	<u>(377,385)</u>
INCREASE (DECREASE) IN CASH	478,035	(2,913,282)
CASH		
Beginning	<u>5,004,262</u>	<u>7,917,544</u>
Ending	<u>\$5,482,297</u>	<u>\$5,004,262</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$1,071,785	\$1,703,454
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	430,652	385,952
Changes in assets and liabilities		
(Increase) in prepaid insurance	(25)	(1,696)
Decrease in accounts receivable	50,992	3,606
Increase (decrease) in accounts payable, net of capital asset payables	<u>(17,651)</u>	<u>12,431</u>
Net cash provided by operating activities	<u>\$1,535,753</u>	<u>\$2,103,747</u>
RECONCILIATION OF CASH PER STATEMENTS OF CASH FLOWS TO THE STATEMENTS OF NET ASSETS		
Cash		
Unrestricted	\$3,632,915	\$2,849,888
Restricted	<u>1,849,382</u>	<u>2,154,374</u>
Total per statement of cash flows	<u>\$5,482,297</u>	<u>\$5,004,262</u>

See Notes to Financial Statements.

Urbandale Sanitary Sewer District NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Urbandale Sanitary Sewer District is incorporated under the laws of the state of Iowa. The District operates under a Board of Trustees consisting of three members. The District is an independent taxing authority organized under Chapter 358 of the Iowa Code and has the ability to issue debt. Therefore, its financial statements are not included in the financial statements of the City of Urbandale. The purpose of the District is to provide sanitary sewer lines and facilities for the safe treatment and disposal of wastewater for property owners in its district. Its territory includes most of the City of Urbandale, Iowa, and is located in Polk County and Dallas County.

Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation, are recorded when a liability is incurred, regardless of the timing of related cash flows. The District has no governmental or fiduciary funds. The District's accounts are organized into a single proprietary fund. The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private business where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public is financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in net assets is appropriate for capital maintenance.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District has elected to apply only the provisions of relevant pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989.

Capital Assets

Capital assets are accounted for at historical cost or estimated historical cost where historical cost is not available. Depreciation is charged as an expense against operations, and is computed using the straight-line method over the estimated useful lives of the assets. Sewer system capital assets are being depreciated over useful lives ranging from 30 to 50 years.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Sewer User Fees

The District records sewer user fees net of collection costs charged by the Urbandale Water Department. These costs totaled approximately \$98,000 and \$92,000 for the years ended June 30, 2008 and 2007, respectively.

**Urbandale Sanitary Sewer District
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets are presented in the following three components:

Invested in capital assets, net of related debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of the long-term debt obligations that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets

This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District currently has reported restricted net assets related to long-term debt obligations.

Unrestricted net assets

Unrestricted net assets has no externally imposed restrictions on use.

Accounting Estimates and Assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Investments

The District's investments and the methods used in determining the reported amounts are as follows:

<u>Type</u>	<u>Method</u>
Interest-earning investment contracts Nonnegotiable certificates of deposit	Cost
Open-end mutual funds Iowa Public Agency Investment Trust (IPAIT) (governmental external investment pool registered as an investment company)	Fair value determined by current share price
Debt securities U.S. Treasury securities	Fair value based on quoted market prices

**Urbandale Sanitary Sewer District
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

The nonnegotiable certificates of deposit and U.S. Treasury securities are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors. The debt securities with a remaining maturity of one year or less when purchased are also not significantly affected by the issuer's credit standing or by other factors.

NOTE 2 CASH AND INVESTMENTS

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are insured or registered or are held by the District or its agent in the District's name. All investments listed below, except the U.S. Treasury securities, are subject to custodial credit risk.

As of June 30, 2008, the District's investments are reported at fair value.

<u>Investments</u>	<u>Maturities</u>	
Certificates of deposit	08/03/08 - 06/28/09	\$2,997,227
Iowa Public Agency Investment Trust	Daily	468,779
Goldman Sachs Treasury Obligation Fund	Daily	<u>3,017</u>
Totals		<u>\$3,469,023</u>

The primary objectives of the District's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the District.

NOTE 3 BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds of the District as of June 30, 2008 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$1,028,000	\$ 98,315	\$1,126,315
2010	736,000	67,475	803,475
2011	754,000	44,870	798,870
2012	227,000	21,180	248,180
2013	235,000	14,370	249,370
2014	<u>244,000</u>	<u>7,320</u>	<u>251,320</u>
Totals	<u>\$3,224,000</u>	<u>\$ 253,530</u>	<u>\$3,477,530</u>

Urbandale Sanitary Sewer District
NOTES TO FINANCIAL STATEMENTS

NOTE 3 BONDS PAYABLE (continued)

In May 2003, the District issued \$5,810,000 of general obligation bonds for the purpose of refinancing the outstanding bonds of the District as those bonds become callable. The proceeds from the refinancing bonds have been invested in U.S. Treasury securities until the refinanced bonds can be called. These bonds were called and paid off during 2008. The balance remaining in the Treasury Obligation Fund at June 30, 2008 is \$3,017.

A summary of the terms of the various general obligation bond issues are as follows:

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rate</u>	<u>Outstanding at June 30, 2008</u>
Sewer improvements - Iowa State Revolving Fund	August 10, 1994	3.00%	\$1,339,000
Refinancing bonds	May 1, 2003	2.375% - 3.20%	<u>1,885,000</u>
Total outstanding at June 30, 2008			<u>\$3,224,000</u>

A summary of the changes in long-term debt for the years ended June 30, 2008 and 2007 follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Balance June 30, 2008</u>	<u>Amounts due within one year</u>
Sewer improvements - Iowa State Revolving Fund	\$1,535,000	\$ —	\$ 196,000	\$1,339,000	\$ 203,000
Sewer improvements	1,575,000	—	1,575,000	—	—
Refinancing bonds	<u>2,620,000</u>	<u>—</u>	<u>735,000</u>	<u>1,885,000</u>	<u>825,000</u>
Totals	<u>\$5,730,000</u>	<u>\$ —</u>	<u>\$2,506,000</u>	<u>\$3,224,000</u>	<u>\$1,028,000</u>

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Balance June 30, 2007</u>	<u>Amounts due within one year</u>
Sewer improvements - Iowa State Revolving Fund	\$1,724,000	\$ —	\$ 189,000	\$1,535,000	\$ 196,000
Sewer improvements	1,775,000	—	200,000	1,575,000	1,575,000
Refinancing bonds	<u>3,360,000</u>	<u>—</u>	<u>740,000</u>	<u>2,620,000</u>	<u>735,000</u>
Totals	<u>\$6,859,000</u>	<u>\$ —</u>	<u>\$1,129,000</u>	<u>\$5,730,000</u>	<u>\$2,506,000</u>

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets for the years ended June 30, 2008 and 2007 is as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2008</u>
Easements	\$ 315,721	\$ 3,644	\$ —	\$ —	\$ 319,365
Sewer system	<u>21,478,665</u>	<u>64,674</u>	<u>—</u>	<u>—</u>	<u>21,543,339</u>
	21,794,386	68,318	—	—	21,862,704
Less accumulated depreciation	<u>(3,335,436)</u>	<u>(430,652)</u>	<u>—</u>	<u>—</u>	<u>(3,766,088)</u>
Totals	<u>\$18,458,950</u>	<u>\$ (362,334)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$18,096,616</u>

**Urbandale Sanitary Sewer District
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 CAPITAL ASSETS (continued)

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2007</u>
Easements	\$ 227,757	\$ 87,964	\$ —	\$ —	\$ 315,721
Sewer system	<u>17,121,360</u>	<u>—</u>	<u>—</u>	<u>4,357,305</u>	<u>21,478,665</u>
	17,349,117	87,964	—	4,357,305	21,794,386
Less accumulated depreciation	<u>(2,949,484)</u>	<u>(385,952)</u>	<u>—</u>	<u>—</u>	<u>(3,335,436)</u>
	14,399,633	(297,988)	—	4,357,305	18,458,950
Construction in progress	<u>895,020</u>	<u>3,462,285</u>	<u>—</u>	<u>(4,357,305)</u>	<u>—</u>
Totals	<u>\$15,294,653</u>	<u>\$3,164,297</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$18,458,950</u>

NOTE 5 WASTEWATER RECLAMATION AUTHORITY OBLIGATIONS

The Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was formed in accordance with the provisions of Chapter 28E of the Code of Iowa. The District is a participating community in the WRA. An amended and restated 28E agreement effective July 1, 2004, provides for a schedule of sewer improvements and construction. Under the agreement, debt service costs related to these capital improvements are allocated to the participating communities on the basis of flow (three year average). In addition, the agreement defines capital projects in two basic categories: core projects and expansion projects. Core projects are allocated to the communities based upon their flows. The District is identified as an expansion community for these cost allocations. The WRA issues separate financial statements that also disclose and discuss these cost allocations.

The WRA anticipates that its budget costs will increase as a result of increase in operating and maintenance expenditures and increases in debt service. The District will be obligated to pay its proportionate share of the debt service. Future increases in debt service are anticipated as bonds are issued to finance future capital improvement projects. For the years ended June 30, 2008 and 2007, the District's payments to the WRA totaled \$1,998,471 and \$1,690,321, respectively. The District's projected allocations for the next five years are as follows:

Year ending June 30

2009	\$ 2,207,961
2010	2,748,832
2011	3,296,785
2012	3,576,256
2013	<u>3,607,306</u>
Total	<u>\$15,437,140</u>

NOTE 6 BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison is reported as required supplementary information and reported on the cash basis. During the year ended June 30, 2008, disbursements did not exceed the total budgeted amounts.

REQUIRED SUPPLEMENTARY INFORMATION

Urbandale Sanitary Sewer District
BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENSES AND
CHANGES IN NET ASSETS—BUDGET AND ACTUAL (CASH BASIS)
Year ended June 30, 2008
See Independent Auditor's Report

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
RECEIPTS			
Sewer rentals	\$ 2,900,505	\$ 3,215,000	\$ (314,495)
Interest on investments	414,348	267,500	146,848
Property taxes (including utility tax replacement)	694,834	688,641	6,193
Special assessments	17,458	25,000	(7,542)
Sewer connection fees	220,886	490,000	(269,114)
Other	11,428	3,000	8,428
Total receipts	<u>4,259,459</u>	<u>4,689,141</u>	<u>(429,682)</u>
DISBURSEMENTS			
Urbandale maintenance and administrative fees	201,289	216,500	(15,211)
WRA budget share	1,998,471	1,991,642	6,829
Capital improvements	189,711	590,000	(400,289)
Other	108,675	134,700	(26,025)
Bond redemptions	2,506,000	2,506,000	—
Interest	211,914	221,810	(9,896)
Bond administration fees	923	20,000	(19,077)
Total disbursements	<u>5,216,983</u>	<u>5,680,652</u>	<u>(463,669)</u>
Net amounts	(957,524)	(991,511)	33,987
NET ASSETS, beginning of year	<u>9,440,065</u>	<u>10,784,054</u>	<u>(1,343,989)</u>
NET ASSETS, end of year	<u>\$ 8,482,541</u>	<u>\$ 9,792,543</u>	<u>\$(1,310,002)</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Urbandale Sanitary Sewer District
Urbandale, Iowa

We have audited the financial statements of Urbandale Sanitary Sewer District as of and for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Urbandale Sanitary Sewer District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Urbandale Sanitary Sewer District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Urbandale Sanitary Sewer District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Urbandale Sanitary Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying schedule of findings.

This report, a public record by law, is intended solely for the information and use of the Board of Trustees, management, members and constituents of Urbandale Sanitary Sewer District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 14, 2008

**Urbandale Sanitary Sewer District
SCHEDULE OF FINDINGS
Year ended June 30, 2008**

Part I—Findings Related to the Financial Statements

No matters regarding reportable conditions, material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Urbandale Sanitary Sewer District
SCHEDULE OF FINDINGS
Year ended June 30, 2008**

Part II—Findings Related to Required Statutory Reporting

CERTIFIED BUDGET

Disbursements during the year ended June 30, 2008 did not exceed the total amounts budgeted for the District.

ENTERTAINMENT EXPENSES

No disbursements of District money for entertainment expenses were noted.

TRAVEL EXPENSE

No disbursements of District money for travel expenses of spouses of District officials or employees were noted.

BUSINESS TRANSACTIONS

No business transactions between the District and District officials or employees were noted.

BOND COVERAGE

Surety bond coverage of District trustees is in accordance with statutory provisions.

BOARD MINUTES

No transactions were found that we believe should have been approved in the Board minutes but were not.